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December 14, 2007

## **AGENDA ITEM 7**

**TO: MEMBERS OF THE FINANCE COMMITTEE**

- I. SUBJECT:** CalPERS 2006-09 Three-Year Business Plan Update
- II. PROGRAM:** Systemwide
- III. RECOMMENDATION:** Approve the semi-annual update of the CalPERS 2006-09 Three-Year Business Plan. Upon approval, staff will transmit the updated plan to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, the State Controller, and the Department of Finance in accordance with the Budget Act of 2007; and the Legislative Analyst's Office and the State and Consumer Services Agency.

## **IV. ANALYSIS:**

The CalPERS Board of Administration formally adopted the CalPERS Strategic Plan in 2005 and the supporting CalPERS Three-Year Business Plan (Attachment A) in September 2006. In the CalPERS Three-Year Business Plan, the organization established specific business objectives targeted for fiscal years 2006-07 through the 2008-09. This report is the third update of accomplishments on the objectives.

The information contained in this agenda item will be transmitted to the entities stated above via the attached transmittal letter (Attachment B). This transmission will take place upon approval of this agenda item by the Finance Committee and the Board of Administration.

### **2006-09 December Strategic Plan Update**

This semi-annual update of the CalPERS 2006-09 Three-Year Business Plan is presented for your approval. This report reflects the progress and status of Three-Year Business Plan objectives from June 1, 2007, through November 30, 2007. During this period, two reportable business objectives related to Goal I have been completed.

The Three-Year Business Plan status is as follows:

#### **Goal I. Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.**

**Objective #1.1 – By December 31, 2007, establish stakeholder coalitions on pension or health issues of relevance to CalPERS to live up to our leadership responsibilities.**

- **Completed** – The Constituent Relations Office (CORE) has organized meetings throughout the State to discuss reporting and pre-funding retiree health care liabilities through the California Employers' Retiree Benefits Trust (CERBT). Held at the CalPERS Regional Offices, the CalPERS Employer Forum, and other locations (i.e., south central coast; Truckee–Tahoe basin), these efforts have reached more than 800 stakeholders. Through their participation in these meetings, stakeholders are becoming informed and preparing themselves to face retiree health care challenges in a proactive way, particularly in reporting and funding. By October 2007, 15 public agency employers had tendered contracts to participate in the CERBT. CORE is also working through local agencies, such as the County Offices of Education, and associations, such as the League of California Cities, California Society of Municipal Finance Officers, the Government Finance Officers Association, and the Peace Officers Research Association of California, to continue to build awareness.

**Objective #1.2 – By December 31, 2007, gain Board approval of a proactive federal agenda to increase CalPERS national influence on healthcare issues.**

- **Completed** – CalPERS is advancing a proactive federal health care agenda through its leadership of the National Public Sector HealthCare Roundtable, a national alliance of public sector health care purchasers. CalPERS helped create the Roundtable and Jarvio Greivous, Deputy Executive Officer, has served as president since its establishment. Working with the Roundtable, CalPERS supported important legislative initiatives in the areas of generic drugs, health information technology, e-prescribing, comparative effectiveness, and health care access. In addition, the CalPERS Office of Governmental Affairs, along with our

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federal representative, presented "Federal Health Policy Priorities" which the Board adopted. CalPERS Board Members and staff have advocated for health care reforms in meetings with key members of the California Congressional Delegation and with other Members of Congress in health care leadership positions. As a result, CalPERS became the first public sector purchaser invited to appear before the House Committee on Oversight and Government Reform to advocate for establishing a pathway for development and implementation of generic biopharmaceuticals which would enable substantial cost savings in drug purchasing.

Six other business plan objectives, related to Goals II, III, and XII have a deliverable date of December 31, 2007, and their status will be reported at the February 2008 Finance Committee meeting.

### **Ongoing Business Plan Status Reporting**

In order to better align reporting on the status of Three-Year Business Plan with objective deliverable dates, staff will be shifting the semi-annual status reporting from the June and December Finance Committee meeting dates to the February and September meetings each year. This will enable us to better report on deliverables with December and June completion dates.

In February 2008, staff will present any final updates to the current Three-Year Business Plan, and the new or revised business objectives to be included in the CalPERS 2008-11 Three-Year Business Plan.

### **Conclusion**

The CalPERS 2006-09 Three-Year Business Plan contained a total of 12 objectives with September 30, 2006, and December 31, 2007, deliverable dates. To date, staff has reported completion of:

- Objective 6.1 (December 2006)
- Objectives 11.1 and 12.3 (June 2007)
- Objectives 1.1 and 1.2 (as reported above).

Objectives 2.1, 2.2, 2.3, 2.4, 3.1, 5.1, and 12.1 remain in progress and the status will be reported at the next Finance Committee meeting.

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**V. RESULTS/COSTS:**

Cost and resource needs associated with the projects and other activities identified in the Three-Year Business Plan have already been allocated.

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